eBRIEF
Bargaining and Campaigns

UNISON Scotland

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# PPP – Cracking down on costs

In our report and toolkit 'Combating Austerity', we showed how public bodies could make savings on their Public Private Partnerships (PPP) schemes. This applies to all PPP schemes, be they legacy PFI schemes or the newer rebranded PPP schemes like NPD or the Hub Initiative. There are 95 projects that are estimated to pay out over £35 billion in unitary payments. That is the equivalent of the Scottish Government's annual budget, so the scope for savings is huge.

There are two main ways public bodies could be making savings. Firstly, by monitoring and varying the existing contracts. Secondly, through refinancing.

Unlike traditional contracts, a culture of minimal monitoring has developed in PPP schemes. There is only limited checking if the contractor is actually delivering what they are contracted to do. Any short cuts the contractor is able to get away with goes straight into their profits, so robust monitoring should be the norm. Branches should ensure that all public bodies have dedicated staff assigned to the contract monitoring role and should encourage members to report to poor service to these staff.

Contracts should also be reviewed to ensure they are up to date. PPP contracts typically run for 25+ years. During this time specifications can become out-dated, gold plated or simply not delivered. Indexation can be miscalculated and many pass-through costs don't give best value. A number of local authorities use consultants from CIPFA to undertake a review and these usually generate savings well in excess of the consultancy costs. NHS Scotland has established a central unit (SST) to do this, developing in-house expertise and building capacity at health board level. More could be done on this issue and branches should be asking employers what action they have or are planning to take.

The really big savings could be delivered from re-financing PPP schemes and bringing them back in-house. In simple terms, public bodies entered into contracts at a time when borrowing costs were much higher than today. If you entered into a mortgage ten years ago, you would not expect to be paying that rate today. Councils could borrow money today by issuing bonds at less than 2%. If they did that to buy out PPP contracts, we calculate that the savings could be as much as £12 billion in Scotland. Finance is the largest element of most PPP schemes.

There are some difficulties, primarily some unwise penalty clauses were agreed on schemes and this reinforces the need to monitor contracts robustly. The Scottish Government needs to take the lead on this because they have a veto on refinancing because of the central funding for schools and NHS schemes. The Scottish Futures Trust is looking at some schemes, but the scale is modest.

It is important to remember than every penny that can be extracted from expensive PPP schemes, means fewer job losses and better public services. Branches should be pressing their employers to take urgent action to review all of their schemes.

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